



REVIEW OF THE
KANSAS CITY
BOARD OF POLICE COMMISSIONERS

**From The Office Of State Auditor
Claire McCaskill**

Report No. 99-115
December 6, 1999

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

December 1999

The following problems were discovered as a result of our office's most recent audit of the Kansas City Board of Police Commissioners. Earlier this year, the Kansas City Police Department (KCPD) requested the State Auditor's Office audit its Forfeiture Fund; the department's Forfeiture Fund audit was included in our statewide report on forfeited property (Report No. 99-97).

The following audit was conducted along with that request.

The KCPD Personnel Policy No. 450 provides that retiring employees will be compensated for any accumulated unused sick leave. It would appear this policy is intended to reduce the amount of sick leave used by department personnel.

This policy may be excessive compared to buyout plans of other law enforcement agencies, and appears to be a drain on departmental resources. In addition, this policy may not be a cost-effective means of reducing sick leave. Sick leave buyout payments for the two years ended April 30, 1999 totaled \$3.9 million.

Based on the significant costs of the sick leave buyout program and the comparison of the KCPD's policy with other similar departments, the State Auditor recommended the KCPD reevaluate its policies and consider limiting the amounts paid to individuals under this program. It appears there are various alternatives to the present policy that would allow the department to continue to provide a benefit to employees at a lesser cost. These alternatives could include, but not be limited to, maximum levels of payout phased in over a period of time, reductions in the payout ratios, or possible conversion to a retirement enhancement device whereby unused sick leave is converted to additional months of service used in the calculation of retirement benefits.

During the two years ended April 30, 1999, the KCPD expended approximately \$2.5 million on new vehicles. The department purchased 94 new marked and unmarked cars, 10 motorcycles, 10 bicycles, and 20 other vehicles, which included a command post bus costing approximately \$300,000. The fleet operation unit, which is part of the Executive Services Bureau, is responsible for maintaining the department's fleet of approximately 750 marked and unmarked police cars, motorcycles, and other vehicles. The unit provides routine preventive maintenance, repairs, and body work for the department's vehicles.

The State Auditor's review of fleet operations noted that the department has not adopted a vehicle replacement plan which sets guidelines for the retirement of police vehicles. Vehicles are funded through the annual budget process, so replacement requests compete with other

(over)

YELLOW SHEET

spending priorities. For the past several years, fleet operations has received an appropriation from the city of approximately \$500,000 to purchase new vehicles. Additional, or alternative, funding for vehicle purchases of approximately \$400,000 may also come from special revenue or grant funds. However, department personnel indicated that the alternative funding sources are not stable and cannot be relied on for vehicle replacement.

The auditors determined the average age of the entire department's fleet to be approximately 6.1 years and the average mileage to be approximately 100,000 miles as of February 1999. In addition, the audit noted at least 157 cars in the fleet with in excess of 150,000 miles, and 224 of 750 vehicles were over 7 years old.

Police vehicles are a very important part of officers being able to provide timely assistance to citizens. As a result, the department needs to develop a vehicle replacement plan that will allow for a reduction in the average mileage and age of its fleet. By maintaining a fleet of lower mileage and newer vehicles, the department should reduce vehicle down time and increase department efficiency.

We also reviewed reports of repair costs prepared for December 31, 1997 and 1998, as well as April 30, 1999, and selected several vehicles on a test basis to determine the amount of fleet resources which were being expended on wrecked, higher mileage vehicles. We found in several instances that the amount of resources expended to repair a vehicle did not appear reasonable based on the age and mileage of the vehicle.

The Fleet Operations Unit indicated that in some instances, even though the costs to repair a vehicle are high, the department has no choice but to fix the vehicle because funding is not available to replace them. **During our review of these reports, we noted the department spent approximately \$10,000 to repair a 1996 Ford Crown Victoria with over 77,000 miles, and approximately \$8,000 to repair a 1992 Ford Crown Victoria with over 160,000 miles. It appears the department has repaired vehicles which should have been considered for retirement.**

Other findings include:

- < Disbursement of funds by the Kansas City Board of Police Commissioners for which no public purpose was documented.
- < The Accounting Unit's controls and procedures could be improved. All monies received are not transmitted daily.
- < In regard to the Record's Unit, accounting duties are not adequately segregated. Also, the method of payment is not indicated on receipt slips, mail logs are not kept to record each check received by mail, and mail receipts are not processed on a timely basis. Access to collections is not adequately controlled.
- < Some fixed assets of the department are not properly numbered, tagged, or otherwise identified, and physical inventory procedures need to be improved.

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KANSAS CITY BOARD OF POLICE COMMISSIONERS

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

The Board of Police Commissioners of the
Kansas City Police Department
Kansas City, Missouri 65106

We have conducted a review of the Kansas City Board of Police Commissioners (KCBPC). The scope of our review included, but was not necessarily limited to, the two fiscal years ended April 30, 1999. The objectives of this review were to:

1. Review certain revenues received and certain expenditures made by the Kansas City Police Department.
2. Review the cash balances and the related individual account balances of the Treasurer's funds.
3. Review certain management practices and financial information for compliance with constitutional provisions, statutes, attorney general's opinions, and board policies as we deemed necessary or appropriate in the circumstances.
4. Follow-up on the status of recommendations made in our previous report.

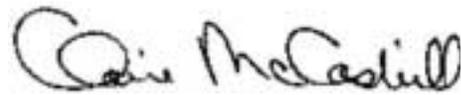
Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. The KCBPC had engaged Arthur Andersen LLP, Certified Public Accountants (CPA), to perform audits of the board for the years ended April 30, 1999, and 1998. To minimize any duplication of effort, we reviewed the reports and substantiating workpapers of the CPA firm. We also examined the KCBPC records we deemed necessary; made inquiries of KCBPC employees; and examined other papers and documents as deemed appropriate for the review.

As part of our review, we assessed the KCBPC's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information are presented for informational purposes. This information was obtained from the KCBPC's management and was not subjected to the procedures applied in the review of the KCBPC.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the KCBPC.

A handwritten signature in black ink, appearing to read "Claire C. McCaskill". The signature is written in a cursive, flowing style.

Claire C. McCaskill
State Auditor

June 18, 1999 (fieldwork completion date)

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Current Recommendations

REVIEW OF THE
KANSAS CITY BOARD OF POLICE COMMISSIONERS
SUMMARY OF FINDINGS

1. Fleet Operations (pages 8-11)

The department has not developed and implemented a vehicle replacement plan and has not adopted policies and procedures to ensure performance objectives are met. It has expended significant repair dollars on wrecked vehicles that possibly should have been replaced instead of being repaired.

2. Questionable Expenditures and Bidding (pages 11-14)

The Kansas City Board of Police Commissioners (KCBPC) expended approximately \$50,000 on disbursements for which a public purpose was not demonstrated and \$7,050 to not-for-profit organizations for annual dinner banquets. The department did not consistently follow its written bid policy. The department made transfers between funds that were not repaid.

3. Sick Leave Buyout (pages 14-16)

Current Kansas City Police Department (KCPD) policies provide that departmental employees will be compensated for any accumulated unused sick leave upon retirement. Sick leave buyout payments in 1998 and 1999 totaled \$3.9 million. This policy appears to be a drain on departmental resources and may be excessive compared to buyout plans of other law enforcement agencies.

4. Records Unit Controls and Procedures (pages 16-18)

Accounting duties are not adequately segregated. The method of payment is not indicated on receipt slips. Mail logs are not kept to record each check received by mail and the mail receipts are not processed on a timely basis. Access to collections is not adequately controlled.

5. Accounting Unit Controls and Procedures (pages 18-20)

The accounting unit's controls and procedures could be improved. All monies received are not transmitted daily. An exception report is not reviewed for outside bonds.

6. Inventory Controls and Procedures (pages 20-21)

Inventory records are not maintained in a manner to identify beginning balance, additions, deletions, and ending balance. Physical inventories in the Supply Unit are performed by the same employees that have custody of inventories. Accounting duties in the Fleet Operations Unit are not adequately segregated.

7. Fixed Assets (pages 21-22)

Physical inventories are performed by the same unit that has custody of fixed assets. Some fixed assets are not properly numbered, tagged, or otherwise identified as KCBPC's property.

REVIEW OF THE
KANSAS CITY BOARD OF POLICE COMMISSIONERS
MANAGEMENT ADVISORY REPORT

1.

Fleet Operations

During the two years ended April 30, 1999, the KCPD expended approximately \$2.5 million on new vehicles. The department purchased 94 new marked and unmarked cars, 10 motorcycles, 10 bicycles, and 20 other vehicles, which included a command post bus costing approximately \$300,000. The fleet operation unit, which is part of the Executive Services Bureau, is responsible for maintaining the department's fleet of approximately 750 marked and unmarked police cars, motorcycles, and other vehicles. The unit provides routine preventive maintenance, repairs, and body work for the department's vehicles. During our review of fleet operations, we noted the following concerns.

- A. The department has not adopted a vehicle replacement plan which sets guidelines for the retirement of police vehicles. Vehicles are funded through the annual budget process, so replacement requests compete with other spending priorities. For the past several years, fleet operations has received an appropriation from the city of approximately \$500,000 to purchase new vehicles. Additional, or alternative, funding for vehicle purchases of approximately \$400,000 may also come from special revenue or grant funds. However, department personnel indicated that the alternative funding sources are not stable and cannot be relied on for vehicle replacement.

A comprehensive study, performed by the department's planning and research unit in 1997, evaluated the size and allocation of the department's fleet and made recommendations for potential vehicle replacement plans. This study recommended the department have approximately \$1.9 million in funding each year for the next eight years for new car purchases to adequately update the department fleet, with the objective to have no car in the fleet with more than 150,000 miles or over seven to eight years old. Part of this study was a comparison with other similar sized police departments to determine their fleet sizes, budget allocations, and vehicle replacement plans. The study found that funding for vehicle replacement for those other comparable police departments was between 50 percent and 750 percent greater each year than the KCPD. As a result, most of these other departments were able to maintain a more timely vehicle replacement rate.

We reviewed the age and mileage of the department's fleet as of February 1999 and determined the average age of the entire department's fleet to be approximately 6.1 years and the average mileage to be approximately 100,000 miles. In addition, we noted at least 157 cars in the fleet with in excess of 150,000 miles, and 224 of 750 vehicles were over 7 years old.

Police vehicles are a very important part of officers being able to provide timely assistance to citizens. As a result, the department needs to develop a vehicle replacement plan that will allow for a reduction in the average mileage and age of its fleet. By maintaining a fleet of lower mileage and newer vehicles, the department should reduce vehicle down time, increase department efficiency and will be able to reduce maintenance costs for maintaining the department's fleet. If additional city funding is necessary but not available, the department should consider allocating funds from their Special Services Fund to purchase vehicles. At April 30, 1999, the balance of the Special Services Fund was approximately \$1.6 million. The monies in this fund are restricted for valid police purposes. The department has pursued Law Enforcement Block Grants to provide additional funds for vehicles in the past and should continue to do so.

The department should also consider using part of the fleet purchases funding in the next year to purchase some used Missouri State Highway Patrol (MSHP) vehicles. These vehicles are retired from service by the MSHP when they reach approximately 50,000 miles. Current prices for 1996 and 1997 Ford Crown Victoria police package vehicles with approximately 50,000 miles are \$11,250 and \$13,250, respectively. Considering a new Ford Crown Victoria police package vehicle is approximately \$20,000, it appears the department could buy three used 1997 MSHP vehicles for the same price as two new vehicles. This would allow the KCBPC to increase the number of lower mileage vehicles it can purchase with its limited resources.

- B. The Fleet Operations Unit has developed several performance objectives to help measure whether the unit is meeting their monthly goals. These objectives are listed in the monthly summary reports submitted to the Division Commander. The objectives include:
- 1) To initiate repairs on all preventive maintenance "B" service inspections (comprehensive inspections which are to be completed every 20,000 miles) within three working days from date of service order.
 - 2) To save an average of \$900 per month by using internally salvaged parts in lieu of purchasing new parts.
 - 3) To maintain the number of vehicles kept at the garage for 24 hours or more at less than 20 percent (excluding wrecks).
 - 4) To establish an average response time of 20 minutes or less for department tow and service calls.
 - 5) To initiate vehicle body repair on 75 percent of damaged vehicles within four working days of being brought to the garage.

We reviewed the monthly reports which listed the above objectives as well as the units performance for each month and evaluated how well the unit was performing based on their own objectives. It appears that the Fleet Operations Unit was significantly deficient in meeting its goals for objectives one and five during both years of our review.

Performance objectives are a useful management tool for analyzing the performance of employees. However, when the objectives are not being met on a regular basis, management is forced to determine the cause. No changes have been made to the objectives in the fleet unit for several years and there has been no significant changes in the operations of the fleet unit recently. Based on our review of the department's performance related to these stated objectives, it appears management needs to evaluate the unit's operations and determine if changes in procedures are necessary to meet the performance objectives.

- C. The unit maintains reports which note vehicles which are being held in fleet with "major" damage, but that are still repairable. The reports give descriptions of the vehicles, mileage, the date the accident occurred, and the estimate of parts and labor to repair the vehicle. We reviewed reports prepared for December 31, 1997 and 1998, as well as April 30, 1999, and selected several vehicles on a test basis to determine the amount of fleet resources which were being expended on wrecked, higher mileage vehicles. We found in several instances that the amount of resources expended to repair a vehicle did not appear reasonable based on the age and mileage of the vehicle. The Fleet Operations Unit indicated that in some instances, even though the costs to repair a vehicle are high, the department has no choice but to fix the vehicle because funding is not available to replace them.

During our review of these reports, we noted the department expended approximately \$10,000 to repair a 1996 Ford Crown Victoria with over 77,000 miles, and approximately \$8,000 to repair a 1992 Ford Crown Victoria with over 160,000 miles. It appears the department has repaired vehicles which should have been retired. During the past several years, based on a review of department budgets, more money has been appropriated for repairs to fleet vehicles from the city's General Fund than has been appropriated for new vehicle purchases. The unit does take a preventive approach to vehicle maintenance, which is probably necessary considering the age and average mileage of the department's fleet. It appears in instances similar to those cited above that the department should consider alternatives to repairing these badly damaged, higher mileage vehicles. Alternatives could include requesting the city appropriate additional city funds to replace wrecked vehicles in the next fiscal year budget or to purchase used MSHP vehicles rather than expend the repair dollars. Based on information noted earlier, it appears the department could have purchased two 1996 Ford Crown Victorias with 50,000 miles each for an amount only slightly more than they spent fixing the 1992 and 1996 Fords cited above, and the used MSHP vehicles would have had significantly lower mileage than either

of the cars repaired. The department has not established any guidelines to evaluate the cost effectiveness of repairs to older high mileage vehicles.

The department should analyze all alternatives available when making the decision to repair a vehicle. In the future, the department should perform a cost benefit analysis to determine whether to repair or replace a wrecked vehicle.

WE RECOMMEND the department:

- A. Develop and implement a vehicle replacement plan and continue to pursue adequate funding for the purchase of new and used replacement vehicles to accomplish the objectives of the plan.
- B. Review and monitor the fleet unit's performance using the internally prepared performance measures and, if necessary, make changes to its procedures to meet these objectives.
- C. Review policies and procedures for maintenance and repairs to wrecked or damaged vehicles. The department should also consider alternatives to repairing older high mileage wrecked vehicles such as purchasing used patrol cars from the MSHP.

AUDITEE'S RESPONSE

The management of the KCPD provided the following responses:

- A. *The department has requested additional funding from the city in the past to upgrade the department fleet. The normal appropriation from the city for vehicle replacements is \$500,000. The department has also provided additional funding from the department special revenue funds for vehicle replacements. The department will continue to pursue adequate funding for vehicle replacements. A new replacement plan for department vehicles is currently being developed by the department's Planning and Research Unit.*
- B. *A review of the goals and objectives has been made. Starting January 2000, the goals will be modified to utilize more realistic numbers. A new paint booth has also been ordered by the department which will enable the department to repair wrecked vehicles more expeditiously.*
- C. *The new fleet study being prepared by the Planning and Research Unit will reevaluate the department's policy regarding when to repair wrecked police vehicles. The department has already purchased used patrol cars from the Missouri Highway Patrol and is evaluating the cost effectiveness of the program.*

- A. During the two years ended April 30, 1999, our review noted disbursements totaling approximately \$50,000 for which a public purpose was not demonstrated or documented. These monies were spent on flowers, cakes, cookies, fruit baskets, and retirement rings. In addition, these disbursements do not appear to be a prudent use of public funds.
- B. The department does not always obtain formal written agreements with not-for-profit organizations receiving subsidies from the department. During the two years ended April 30, 1999, the KCBPC disbursed \$7,050 to not-for-profit organizations for annual dinner banquets.

The Missouri Constitution prohibits the use of public money or property to benefit any private individuals, association, or corporations except as provided in the constitution. Without a written contract that clearly indicates the public services being provided by these organizations, these subsidies and uses could be considered to be in violation of the constitution.

Written contracts establish payment terms, clarify responsibilities and expectations of both parties, and help ensure the department receives the goods and services it requires. Furthermore, Section 432.070, RSMo 1994, requires all contracts to be in writing.

- C. The KCBPC did not consistently follow its written bid policy. The department contracted with Arthur Andersen LLP, Certified Public Accountants (CPA) for an information technology management services, at a cost of \$63,135. The department's purchasing policy requires formal competitive bidding related to contracts of \$25,000 or more. The department justified this transaction by considering it a sole source procurement and an appropriate exception to the purchasing requirements since Arthur Andersen performs the department's annual financial audit. The department also indicated this was considered a consulting contract, which the department contends would not need to be bid under the provisions of Section 84.420.2(7), RSMo 1994, which states the Board of Police Commissioners shall retain or employ attorneys or other consultants as necessary to advise the board or the chief. We agree the Board has the power to hire consultants on a contractual basis, but we do not believe this alleviates the need to bid contracts. Based on our review of this situation, it does not appear this transaction represented a sole source procurement as contended by the department.

As a result of these situations, the department did not assure itself that it received the lowest and best price for the management services work because it was not competitively bid. Competitive bidding procedures for major projects provide a framework for the economical management of resources and help ensure the department receives fair value

by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the department's business.

- D. During the two years ended April 30, 1999, the department made operating transfers totaling over \$208,000 from the Special Services Fund to the Alert II Computer System Fund. Cash balances for the Alert II Computer System Fund at April 30, 1998 and 1999 were \$802,679 and \$782,546, respectively. No transfers were made from the Alert II Computer System Fund to repay the Special Services Fund. In addition, the department has budgeted a \$500,000 operating transfer to be made during the year ended April 30, 2000, and has not budgeted for this amount to be transferred back.

The Alert II Computer System Fund was established to account for the computer charges assessed to various political subdivisions for use of the Alert II computer system. The department has explained that the above mentioned transfers are necessary, even though year end balances for the Alert II Computer System Fund appear adequate, because at various times throughout the year costs of the computer system exceed the available cash. They also indicated that even though the Alert II Computer System Fund balances would have been sufficient to allow the operating transfers to be repaid, they chose not to because eventually the Alert II Computer System Fund would be at a deficit balance and would need the money.

Making such large operating transfers means money is not available in the Special Services Fund to pay for other needs such as vehicles, capital improvements and over-time.

WE RECOMMEND the department:

- A. Ensure disbursements are necessary and prudent uses of public funds.
- B. Obtain written agreements specifying terms of payments and the responsibilities of both parties for all services received.
- C. Ensure bids are solicited for all applicable purchases in accordance with the department's policy.
- D. Discontinue making operating transfers of funds from Special Services Fund to the Alert II Computer System Fund, or if additional transfers are necessary, consider transferring the monies back when the Alert II Computer System Fund cash is available.

AUDITEE'S RESPONSE

The management of the KCPD provided the following responses:

- A. *The flowers and fruit baskets are for ill or bereaved members and for department members upon the birth of a child. The retirement rings are given to members of the department who achieve twenty-five years of service. Upon retirement, cakes are bought for retirement ceremonies. The department considers these purchases as important in retaining personnel and for morale.*
- B. *The department considers the attendance at not-for-profit banquets as a demonstration of community involvement. The department's participation in local events is in keeping with the department's community policing effort and builds strong partnerships with community groups.*
- C. *The department does bid audit services. Arthur Andersen, LLP was the successful bidder on the current bid. The bid did include a clause to use the services of Arthur Andersen for special projects. The department chose to use Arthur Andersen for the information technology services because of their knowledge of the department's billing practices. The management services performed by Arthur Andersen dealt with financial matters concerning the Alert II system.*
- D. *With the current configuration of the Alert II system, the revenues generated by the system will not sustain its operations. The system has incurred a large deficit since fiscal year 1994-1995. The current transfers into the fund postpone the deficit until the department can develop a new strategy pertaining to the operations of the Alert II system. The department's budget includes additional transfers of \$500,000 in fiscal year 1999-2000 and fiscal year 2000-2001. Without the transfers, there is a possibility that the Alert II system would go deficit in the current fiscal year.*

AUDITOR'S COMMENT

- C. The Arthur Andersen LLP personnel who performed the information technology services were all different personnel from those who performed the financial audit. Therefore, it is doubtful that any efficiency was provided by using the same vendor instead of bidding the information technology services.

3. Sick Leave Buyout

The KCPD Personnel Policy No. 450 provides that retiring employees will be compensated for any accumulated unused sick leave. It would appear this policy is intended to reduce the amount of sick leave used by department personnel.

The unused sick leave is paid based on the employee's salary rate at the date of separation times a conversion factor established for different categories of employees. The conversion rate for law enforcement personnel ranges from a 2 to 1 basis to an 8 to 1 basis depending on sick leave

accrual rate and reason for separation. The conversion rate for civilians ranges from 2 to 1 to 4 to 1 also depending on sick leave accrual rate and reason for separation. Effective January 1, 1995, employees (sworn or civilian) who are terminated or resign are not compensated for accumulated sick leave unless they were employed prior to January 1, 1994.

This policy may be excessive compared to buyout plans of other law enforcement agencies, and appears to be a drain on departmental resources. In addition, this policy may not be a cost-effective means of reducing sick leave.

We reviewed the KCPD separation files for the two years ended April 30, 1999 and noted that 108 employees separated because of retirement. Based on available department records, we determined that separation payments attributable to these retirees totaled approximately \$4.5 million of which \$3.9 million was for sick leave. The largest individual retirement payment in 1999 related to sick leave conversion was approximately \$103,200, which reflected approximately 4,000 hours of converted sick leave.

During our review, we requested and received sick leave buyout policy information from several other law enforcement agencies (primarily metropolitan city police departments) and compared those policies to the KCPD policies. Comparisons with three responding departments indicated that all their employees either accrued fewer days of sick leave per year and/or in some ways are more limited than the KCPD in the payout that is allowed. For example, Cincinnati, OH pays accumulated sick leave up to a maximum of 600 hours for retiring members, and members who resign or are terminated lose any accumulated sick leave. St. Louis, MO pays on a 4-to-1 conversion ratio and prevents any employee who is convicted of a crime from receiving such payment.

We also determined that the Atlanta Police Department has no sick leave buyout program for its officers. Instead, accumulated sick leave is added to length of service when calculating retirement benefits.

We could find no empirical studies or other evidence that indicate sick leave buyout programs are an effective way to reduce sick leave usage. In addition, it does not appear the KCPD has performed any type of internal study to evaluate the cost-effectiveness of its policy. It is clear, however, that, because of the conversion ratios, there is less incentive for an employee expecting to leave the service of the KCPD prior to retirement to accumulate unused sick leave than an employee intending to make service to the department a career.

Based on the significant costs of the sick leave buyout program and the comparison of the KCPD's policy with other similar departments, the KCPD should reevaluate its policies and consider limiting the amounts paid to individuals under this program. It appears there are various alternatives to the present policy that would allow the department to continue to provide a benefit to employees at a lesser cost. These alternatives could include, but not be limited to, maximum levels of payout phased in over a period of time, reductions in the payout ratios, or possible conversion to a

retirement enhancement device whereby unused sick leave is converted to additional months of service used in the calculation of retirement benefits.

The police department's buyout policy is the same as the city of Kansas City's policy. The police officers employed prior to November 1987 have individual contracts with the department regarding sick leave buyout.

WE RECOMMEND the KCPD discuss with the city the reevaluation of the current sick leave buyout program, compare its program to those in other cities, and consider making revisions that would benefit the employees while also conserving available fiscal resources.

AUDITEE'S RESPONSE

The management of the KCPD provided the following response:

The department buyout policy is the same as the city and the department will take the recommendation under advisement.

4. Records Unit Controls and Procedures

The Records Unit serves as the department's cashier for certain fees and collects monies from individuals, attorneys and insurance companies for tow charges, report reproduction sales, and criminal record investigations. The Records Unit prepares the deposit and deposits the funds to either the city's bank accounts or transfers funds to the KCPD's accounting unit which deposits the money into the KCPD's own accounts. The Records Unit collected approximately \$1,580,000 and \$1,471,000 in fiscal years 1999 and 1998, respectively, with approximately five percent of receipts each year being collected through the mail. We noted the following areas of concern in the Records Unit:

- A. Accounting and bookkeeping duties are not adequately segregated. Currently, all record-keeping responsibilities, including receiving, recording, and reconciling are performed by the cashiers. One cashier is responsible for preparing deposits and transmitting the monies to the Accounting Unit.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly safeguarded. Internal control could be improved by segregating the duties of receiving from recording of receipts and reconciling monies. If proper segregation of duties cannot be achieved, at a minimum there should be a documented independent comparison of receipt slips issued to amounts transmitted.

- B. Receipt slips issued by the unit do not indicate the method of payment received. To ensure payments are transmitted intact, the method of payment should be indicated on all receipt slips issued. The composition of receipt slips issued should be reconciled to the composition of transmittals.
- C. Our review noted the following concerns related to monies received through the mail:
 - 1) Mail logs are not kept to record each check received by mail. To ensure all mail receipts are properly accounted for and recorded, logs should be maintained to record all mail receipts. The logs should be reconciled daily to receipt records.
 - 2) Mail receipts are not processed on a timely basis and are not adequately secured during working hours. During our initial survey of mail receipts we observed mail being opened dating back four to eight weeks. Unopened mail is left in unlocked desk drawers during business hours. To provide proper safeguards against loss or misuse, mail receipts should be opened, receipted, and transmitted on a daily basis as received.
- D. The Records Unit maintains a centralized cashier system. All monies are kept in three cash drawers. The cashiers on duty have access to all of the cash drawers. Not limiting access to the cash drawers increases the possibility of loss or misuse of funds and makes it difficult to determine the responsibility for any losses.

Similar conditions were also noted in a prior report.

WE AGAIN RECOMMEND the department:

- A. Adequately segregate duties between available employee and/or establish a documented periodic review of records by an independent person.
- B. Indicate the method of payment on receipt slips issued and reconcile total cash, check, and money orders received to transmittals to the Accounting Unit.
- C.1. Maintain a log of all mail receipts and reconcile the log to receipt records on a daily basis.
 - 2. Open, receipt, and transmit mail receipts when received.
- D. Restrict access to the cash drawers to only one person per drawer.

AUDITEE'S RESPONSE

The management of the KCPD provided the following responses:

A. *Currently the workload in the Records Unit prohibits adequate segregation of duties. The department does require all department receipt slips pertaining to the Records Unit, including voided receipts, be brought along with the deposits to the Accounting and Payroll Section. A comparison is made of the receipt slips and the amount transmitted as outlined above. The range of the receipt numbers are then recorded on the receipt given to the person making the deposit and on the Accounting and Payroll Sections copy of the receipt. In addition, surprise cash counts are made during the year on the Records Unit's cash drawers as another safeguard. Funds collected by the Records Unit for the city and municipal court are reconciled by the city and municipal court.*

B. *The department will develop a procedure to have the receipt slips marked as to whether the payment is made by check or cash. Currently the department verifies only the total amount deposited into department accounts not the method of payment.*

The department has been upgrading its automated accounting system. In the upgrade program is a plan to install cash registers in the Records Unit. Information entered into the cash register will be simultaneously entered in the accounting system to be used to verify deposits and method of payment.

C. *The Records Unit does not forward mailed in receipts until they have either issued a copy of the report requested or the record check requested. Due to the workload, these requests are not filled in a timely manner. The department will review the current procedures.*

D. *The department will develop a procedure where one drawer is used on each shift. This would limit accessibility to only the cashier on duty on a particular shift. New internal controls will be developed as the automation outlined in "B" above is implemented which should identify the cashier involved in the transaction as it occurs.*

5. Accounting Unit Controls and Procedures

The Accounting Unit as the main fiscal office of the police department collects and processes over \$4 million annually. It is responsible for accounting and depositing of the money that the police department receives. The Accounting Unit processes monies collected through the city's General Fund and department's Treasurer's accounts. We noted the following areas of concern related to the Accounting Unit:

A. Receipts are transmitted by the Legal Unit, Fingerprint Identification Unit, Private Officers Licensing Unit, and Commissary on a monthly basis. Receipts from the Private Alarm Unit are transmitted twice a week. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, transmittals should be made daily or when accumulated receipts exceed \$100.

- B. Bonds are posted for warrants of other law enforcement agencies (outside warrants) and bond monies are collected at department headquarters and at five patrol divisions. Bonds issued are entered on the division's bond log. Bonds posted, bond monies collected, and a copy of the bond log are sent to the Accounting Unit.

The Accounting Unit enters the bond numbers onto the computer. However, the unit does not print the bond report and review the numerical sequence of the bond numbers. In addition, the bond forms are not always used in sequence. To ensure all monies received by the various patrol divisions and headquarters are transmitted to the accounting unit, the numerical sequence of bond forms should be accounted for properly.

Similar conditions were also noted in a prior report.

WE AGAIN RECOMMEND the department:

- A. Transmit receipts daily or whenever accumulated receipts exceed \$100.
- B. Account for the numerical sequence of outside warrant bond forms to ensure that bond forms are being used in sequence and are being recorded on the bond logs.

AUDITEE'S RESPONSE

The management of the KCPD provided the following responses:

- A. *The department closed the Commissary in July 1999. The Private Officer Licensing Unit makes deposits on a weekly basis. The department will look into the feasibility of having the Legal Unit and the Fingerprint Identification Unit make deposits on a weekly basis.*

The Accounting and Payroll Section receives deposits on a daily basis from the various patrol divisions and the Records Unit. Other elements make their deposits on a staggered basis because of time constraints. The actual counting of the deposit is the least time consuming process in making deposits. Each check has to be entered into the accounting system along with the appropriate revenue codes. The actual deposit is made in the accounting system by one person and a backup deposit is made by a second person to ensure the accuracy of the deposit and that the funds were handled properly in the section. Making deposits on a daily basis would increase the amount of time necessary for making deposits because of the increased amount of coding into the various revenue accounts associated with the various elements involved. At the present time it takes on an average two to three hours a day for both parties involved in the deposit process.

The department does have other safeguards in place for cash receipts and operating cash at other units. Surprise cash counts are made throughout the year by members of the Accounting and Payroll Section. If errors are found during these counts they are reconciled

immediately. Written reports are made for all cash counts and reviewed to determine if new controls should be put in place.

- B. All outside bonds received by the Accounting and Payroll Section have the form number listed in a database kept by the section. This includes voided bond forms which must be sent to the Accounting and Payroll Section. Bond forms are not always used in sequence because the various elements using the bond forms are issued several bond form packages at a time. This leads to several elements accepting bonds at the same time using various numerical sequences. In order to have a comparison of bond forms issued to a particular element would require computer program changes.*

At the present time the department has not experienced any problems in the control of outside bond monies. The time and expenditures to establish a new database to track an individual element's bond forms would be more than the department's risk exposure to loss. Outside Bonds are normally for less than \$150. When bond money is given to the department a receipt is issued. This receipt is then presented to the court by the party who posted the bond for return of the bond money. If the court in question has not received the bond money from the department, they call the Accounting and Payroll Section to verify the bond has been posted. This has happened on occasions when a court date has been set for a date shortly after the bond has been posted. This results from the bond being in the mail and not yet received by the court. The department has not received a call from a court were a bond was posted and the department could not locate the money. This process also acts as a control for outside bonds.

6. Inventory Controls and Procedures

Our review of the department's inventory records and procedures revealed the following weaknesses:

- A. Inventory records for the Supply Unit, Helicopter Unit, and Radio Maintenance Unit are not maintained in a manner that allows beginning balances, additions, and usages for each year to be reconciled to balances at the end of each year. A control account should be established and maintained with annual totals for additions, usages, and ending balances.
- B. Annual physical inventories for the Supply Unit are performed by the same employees that have custody of inventories. Proper internal control requires physical inventories be conducted by persons who do not have record-keeping or custodial duties.
- C. Accounting duties for the Fleet Operations Unit are not adequately segregated. Currently, all the responsibilities are assigned to inventory control. These responsibilities include all custodial and record-keeping duties.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly safeguarded. If proper segregation of duties cannot be achieved, at a minimum there should be a documented independent review.

Similar conditions were also noted in a prior report.

WE AGAIN RECOMMEND the department:

- A. Maintain the inventory records for the Supply Unit, Helicopter Unit, and Radio Maintenance Unit in a manner to identify beginning inventory balance, additions, usages, and ending inventory balance for each fiscal year.
- B. Require the supply unit to perform physical inventories by someone independent of custodial and record-keeping duties.
- C. Require the Fleet Operations Unit adequately segregate duties between available employees and/or establish a documented periodic review of records by an independent person.

AUDITEE'S RESPONSE

The management of the KCPD responded as follows:

- A. *The department is working on upgrading the various department inventories. Currently department elements have unique individual inventory systems. This leads to differences in how inventories are handled and the valuation methods used. A new inventory system is being integrated into the department's accounting system. Currently, the Fleet Operations Unit is having the new inventory system installed. Supply will be done after fleet operations. The other elements will be done as the computer network expansion program is completed. The new inventory method will show inventory balances, purchases and usage.*
- B. *The department will have its outside independent auditors observe the entire year end inventory process for the Supply Unit, Fleet Operations Unit, Radio Maintenance Section, and the Helicopter Unit.*
- C. *The department will review the segregation of duties at the Fleet Operation Unit.*

Our review of the department's fixed assets records and procedures revealed the following weaknesses:

- A. Physical inventories are performed by the same unit that has custody of fixed assets. The unit supervisor is given a list of all property assigned to the unit and is responsible for reporting any discrepancies between the property list and the property items in his possession. Proper internal control requires physical inventories be conducted by persons who do not have record-keeping or custodial duties.
- B. Some fixed assets are not properly numbered, tagged, or otherwise identified as KCBPC's property. During our test work, we noted eight of fifty-six items where a property tag was not affixed to the asset. Property control tags should be affixed to all fixed asset items to help improve accountability, to ensure that assets are properly identified as belonging to the KCBPC, and to help reduce the loss or theft of assets.
- C. KCBPC's departments are not preparing the "Property Inventory Action Form" and submitting it to the inventory control officer in some instances. This report should be used when equipment is transferred within or between departments and if equipment is stolen, destroyed, surplus, or otherwise disposed of. We noted one item that had been transferred and two items that had been replaced where a property inventory action form had not been prepared and submitted.

To ensure fixed asset records are updated on a timely basis and accurately reflect the status of all fixed assets, property inventory action forms should be submitted when applicable.

Similar conditions were also noted in a prior report.

WE AGAIN RECOMMEND the department:

- A. Require physical inventories to be conducted by persons independent of those having record-keeping or custodial duties.
- B. Properly number or tag all fixed asset items.
- C. Establish procedures to ensure that all transfers and disposals of property items are reported immediately to the Inventory Control Officer.

AUDITEE'S RESPONSE

The management of the KCPD responded as follows:

- A. The department will consider changing policy to require periodic independent audits of inventory items. A policy change would depend on identifying personnel available to perform this function.*
- B. A fixed asset cannot be processed in the computer system until an inventory number is assigned. On occasion a number is accidentally removed or torn off. In those cases the Inventory Control Officer will determine the correct number for the item and arrange for it to be affixed to the item. These types of problems are usually detected and corrected during the annual property inventory.*
- C. The Department will reemphasis the current policy of completing a "Property Inventory Action Form" when property is transferred, stolen, destroyed, surplused or otherwise disposed of.*

This report is intended for the information of the board's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor's Prior Recommendations

REVIEW OF THE
KANSAS CITY BOARD OF POLICE COMMISSIONERS
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Kansas City Board of Police Commissioners (KCBPC) on recommendations made in the Management Advisory Report (MAR) on our prior reports issued for the two years ended April 30, 1993 and the Special Review of the Kansas City Police Department, issued in September 1994. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the board should consider implementing these recommendations.

REVIEW OF KANSAS CITY BOARD OF POLICE COMMISSIONERS
(TWO YEARS ENDED APRIL 30, 1993)

1. Vehicle Self-Retention Policy/General Liability Self-Insurance Program
 - A. The KCBPC had not obtained the services of a competent insurance industry professional to manage the self-insurance program.
 - B.1. General liability claims did not receive estimates of liability by the department's legal advisors.
 - B.2. Claim reserves established for a claim were not entered into any type of log or ledger so the total amount of claim reserves could be determined.
 - C.1. The board had not developed specific short or long term goals for the self-retention/self-insurance program or specific cash reserve amounts.
 - C.2. The KCBPC had not adequately documented the optimum deductible level for the vehicle liability policy.
 - D. The KCBPC had not established specific settlement authority limits for the legal advisors and department management on general liability claims.

Recommendation:

The KCBPC:

- A. Obtain the services of a risk manager to oversee the daily operations of the self-insurance program, and establish a risk management committee to oversee the overall operations and management decisions of the self-insurance program.
- B.1. Establish claim reserves for all general liability claims.

2. Maintain a record of all claim reserves so the total amount of potential department liability can be easily determined. This liability should be compared to the available cash balance to ensure cash on hand is sufficient to meet the outstanding liabilities.
- C.1. Develop specific short and long term goals for the self-retention/self-insurance program.
 2. Obtain an actuarial cost/benefit study to ensure that vehicle liability insurance deductible amounts are appropriate.
- D. Establish specific settlement authority limits for general liability cases.

Status:

- A. Not implemented. The Board hired Arthur Anderson for consulting on the self-insurance program. In addition, the Board approves all claims in excess of \$25,000.
- B.1.,
B.2.,
C.1.,
&D. Implemented.
- C.2. Not implemented. The self retention vehicles liability policy deductible is no longer obtained.

2. Budgeting of funds

The KCBPC did not prepare budgets for the Treasurer's funds.

Recommendation:

The KCBPC prepare budgets of revenues and expenditure's for the treasurer's funds. These budgets should be formally reviewed and approved by the board and used as a guideline for the activity of the treasurer's funds.

Status:

Implemented.

3. Property and Evidence Unit

- A. The police department had not properly obtained court orders for the disposition of all seized property.

- B. The department's audit unit could not locate \$90 in food coupons, 35 items of jewelry, \$9,010 in currency, and six miscellaneous items of value, and our office could not locate four of the forty-five items selected for review in the Property and Evidence Unit.
- C. Accounting and custodial duties were not adequately segregated.
- D. The Property and Evidence Unit used accounting codes for identifying seized assets. Many different codes exist for the same category of asset.
- E. Property room control numbers were removed from items scheduled to be auctioned prior to the auction, and auction records did not indicate the property room control numbers of the items sold.
- F. The Accounting Unit did not issue receipt slips for the auction or liquidation proceeds.

Recommendation:

The KCBPC require the Property and Evidence Unit:

- A. Obtain proper court orders for the disposition of all seized property.
- B. Ensure accountability over all seized assets. In addition, periodic physical inventories should be performed of all seized assets in the custody of the Property and Evidence Unit. All exceptions should be promptly investigated and resolved.
- C. Segregate accounting and custodial duties for seized assets.
- D. Develop standard codes for identifying seized assets.
- E. Ensure the sale of all seized assets of significant value are properly identified and recorded in the accounting records.
- F. Issue receipt slips for the sale of unclaimed seized property and reconcile the receipt slips to bank deposits.

Status:

- A. Not implemented. The department does not obtain court orders for all dispositions of seized property. A lawsuit has been filed in the Jackson County Circuit Court by the department over proper distribution of lost, stolen, abandoned and seized property that comes into the possession of the department and remains unclaimed.

B. Partially implemented. A complete periodic physical inventory is not conducted; however, Property and Evidence Unit staff periodically test the computer system location and the actual location for a sample of items. All 60 property and evidence items we tested were properly located. Our inventory of safe contents indicated one item (\$1,460) was reported by the computer system as being in the safe; however, it had been checked out of the Property and Evidence Unit in 1995 and the item's location noted in the computer system had not been properly updated.

C,E,
&F. Implemented.

D. Partially implemented. The Property and Evidence Unit has developed approximately 23 broad description category codes for property seized or taken in for safekeeping. The computer system still accepts any code entered; however, the system is old and will be updated with the bar coding system the department intends to implement.

4. Petty Cash Funds

The KCBPC maintained thirteen petty cash funds totaling \$19,825. It appeared the balance of some of those funds may have been excessive or the existence of some of the petty cash funds were unnecessary.

Recommendation:

The KCBPC evaluate the need for petty cash funds and reduce or eliminate those funds which have little or no activity.

Status:

Implemented.

5. Internal Controls over Collections

A. Receipts slips were not issued for all monies received.

B. Listings of mail receipts and other collections were not reconciled to bank deposits.

C. Monies collected by the Legal Unit, Metro Major Case Squad, Fingerprint Identification Unit, Private Officers Licensing Unit, Commissary and the Special Olympics were not transmitted to the Accounting Unit on a timely basis.

D. Checks received for report reproduction by the Accounting Unit were not deposited on a daily basis.

Recommendation:

The KCBPC:

- A. Require the various divisions and units to issue prenumbered receipt slips for all monies received.
- B. Require the Accounting Unit to reconcile listings of mail receipts and other collections to bank deposits and journal entries on a daily or weekly basis. In addition, documentation of these reconciliations should be retained.
- C. Require the various divisions and units to transmit all receipts to the Accounting Unit daily or when accumulated receipts exceed \$100.
- D. Require the Accounting Unit to deposit all monies received intact on a daily basis.

Status:

- A. Not implemented. Although receipt slips are not prepared for mail receipts, a listing of mail receipts is prepared and reconciled to deposits.

B&D. Implemented.

- C. Not implemented. See MAR No. 5.

6. Records Unit

- A.1. The cashier on duty as well as other clerks had access to the cash drawer.
 - 2. Access to the Records Unit was not properly controlled.
 - 3. Numerous persons knew the combination to the safe and had access to the bank bags which were stored in the safe.
 - 4. Unopened mail was stored in an unlocked desk drawer until mail was processed.
- B. Accounting and bookkeeping duties of the Records Unit were not adequately segregated for receipt transactions.
- C.1. Receipt slips issued by the Records Unit did not indicate the method of payment received.
 - 2. Report reproduction receipt slips were maintained for only two years and criminal history investigation receipt slips for only one year subsequent to their issuance. In addition, the numerical sequence of receipt slips issued was not accounted for to ensure all monies receipted were deposited.

- D. Tow fees were transmitted daily to the city of Kansas City Municipal Division; however, a receipt slip was not obtained from the court for tow monies transmitted.
- E.1. Logs were not kept to record each check received by mail.
 - 2. Mail receipts were kept in an unlocked desk drawer for several days before being opened.

Recommendation:

The KCBPC require the Records Unit:

- A.1. Restrict access to the cash drawer to only one person per shift or provide a separate cash drawer to each person who handles money.
 - 2. Properly control access to the Records Unit at all entrances.
 - 3. Recode the lock on the Records Unit safe and provide the combination only to the cashiers and supervisory sergeants.
 - 4. Store all unopened mail receipts in the safe.
- B. Segregate the duties of receiving from the responsibilities of reconciling receipts to the receipt slips and cash register tapes.
- C.1. Record the method of payment on the receipt slip and reconcile daily the composition of cash and checks transmitted or deposited to the receipt slips.
 - 2. Retain receipt slips in accordance with the Missouri Municipal Records Manual.
- D. Obtain a receipt slip for all monies transmitted to the municipal division.
- E.1. Maintain a log of all mail receipts and reconcile the log to receipt records on a daily basis.
 - 2. Open, receipt, and transmit mail receipts on the day received.

Status:

- A.1.,
- A.4.,
- B.,C.1.,
- E.1.,
- &E.2. Not implemented. See MAR No. 4.

- A.2. & 3. Implemented.
- C.2. Not implemented. The Records Unit does not maintain receipt slips in accordance with the Missouri Municipal Manual. However, the Accounting Unit receives a copy of all receipt slips from the Records Unit. These are maintained for five years at the warehouse which is in accordance with the Missouri Municipal Manual. Although not repeated in the current report, the KCBPC should consider fully implementing the recommendation.
- D. Not implemented. Although receipt slips are not obtained, the city signs and returns a copy of the daily transmittal. This appears to be an acceptable alternative.

7. Fixed Assets

- A. Property records were not prepared in a manner to identify beginning balance, additions, deletions, and ending balance for each fiscal year.
- B. Physical inventories were performed by the same unit that has custody of fixed assets.
- C. The department's property records did not appear to be accurate. It appeared the unit supervisors were not notifying the property records clerk when the status of property items changed.
- D. Additions to property records were not periodically reconciled to purchases of fixed assets.
- E. Property tags were not always affixed to each asset.
- F. Some fixed asset purchases were not tagged and recorded in the fixed asset inventory records in accordance with department policy.

Recommendation:

The KCBPC:

- A. Maintain property records in a manner to identify beginning balance, additions, deletions, and ending balance for each fiscal year.
- B. Require physical inventories to be conducted by persons independent of those having record-keeping or custodial duties.

- C. Establish procedures to ensure property records contain accurate information. These procedures should include that all purchases, disposal, and transfers of property items be immediately reported to the Inventory Control Officer.
- D. Require periodic reconciliation of property additions to purchase and expenditure records.
- E. Require property tags to be affixed and tag numbers recorded for each fixed asset.
- F. Ensure equipment owned by the department with a value of thirty dollars or more is included in the detailed inventory records in accordance with department policy. In addition, the KCBPC should consider increasing the minimum value of property items which need to be recorded on the fixed asset inventory records.

Status:

A,D,
&F. Implemented.

B,C,
&E. Not implemented. See MAR No. 7.

8. Supplies Inventories

- A. Each unit maintained some form of perpetual inventory records; however, records were not maintained in a manner to obtain beginning inventory balance, additions, deletions, and ending inventory balance for each fiscal year.
- B.1. Accounting duties for inventories in the Supply Unit were not adequately segregated.
 - 2.a. Accounting duties for the Fleet Operations Unit were not adequately segregated.
 - b. Gasoline usage was not reconciled to inventory records, giving consideration to beginning and ending inventories and gasoline purchases.
 - c. The Fleet Operations Unit takes measurements of the fuel level in each tank every other day; however, these fuel levels were not compared to the amount of gasoline which should have been on hand.

Recommendation:

The KCBPC:

- A. Maintain the inventory records in a manner to identify beginning inventory balance, additions, deletions, and ending inventory balance for each fiscal year.

- B.1. Require the Supply Unit to segregate inventory custodial and record-keeping duties. In addition, physical inventories should be performed by someone independent of custodial and record-keeping duties.
- 2. Require the Fleet Operations Unit to:
 - a) Segregate inventory custodial and record-keeping duties.
 - b) Reconcile ending gasoline inventory balances to beginning balances plus purchases less usage on a monthly basis.
 - c) Reconcile the ending inventory balance to measurements of fuel levels.

Status:

A.&

B.2a. Not implemented. See MAR No. 6.

B.1. Partially implemented. The Supply Unit has segregated inventory custodial and record-keeping duties. However, physical inventories are not performed by someone independent of custodial and record-keeping duties. See MAR No. 6.

B.2b.&

B.2c. Implemented.

9. Bonds

The department did not account for the numerical sequence of outside warrant bonds issued by each patrol division, voided bond forms were not always recorded on the bond logs and are not retained, and the bond forms were not always used in sequence.

Recommendation:

The KCBPC account for the numerical sequence of outside warrant bond forms to ensure that bond forms are being used in sequence and are being recorded on the bond logs. Furthermore, voided bond forms should be recorded on the bond log and all copies of the defaced bonds should be retained.

Status:

Partially implemented. The Accounting Unit enters the bond forms into the computer and the computer puts them into numerical sequence. However, this report is never reviewed. Voided bond forms are entered on the bond ledger. See MAR No. 5.

10. Accounts Receivable

A control ledger of all amounts due was not maintained.

Recommendation:

The KCBPC maintain an accounts receivable control ledger for all amounts due to the department and periodically reconcile the ledger to the detailed records.

Status:

Implemented.

SPECIAL REVIEW OF KANSAS CITY POLICE DEPARTMENT
(SEPTEMBER 1994)

1. Sick Leave Benefits and Usage

- A. The accrual rates for sick leave benefits for sworn personnel were relatively high compared to other city police departments. Some sworn personnel accrued sick leave at a rate of thirty days per year, while the remaining sworn personnel accrued sick leave at a rate of eighteen days per year.
- B. The KCPD policy which allowed some employees to accrue 30 days sick leave per year may have encouraged the usage of more sick leave, when compared with the usage of officers who received only 18 days per year.
- C. Sick leave was only deducted from employee-leave balances in one day, or eight hour increments, and if the employee worked four hours or more during a shift and then takes sick leave the rest of the day, no sick leave was charged against their leave balance.

Recommendation:

The KCPD:

- A&B. Reevaluate the current level of sick leave benefits provided to law enforcement personnel. After considering all factors, including a comparison of leave accrual rates of similar police departments, the KCPD should determine whether the current accrual rates are excessive and should be reduced to provide a better balance between the benefits provided and the related costs to the department.
- C. Charge sick leave hours actually used against employee sick leave balances.

Status:

A&B. Not implemented. Although not repeated in the current MAR, the KCPD should consider implementing this recommendation.

C. Implemented.

2. Sick Leave Buyout

A. Employees who had been continuously employed for at least one year would be compensated for any accumulated unused sick leave upon separation. This policy appeared to be a drain on departmental resources and may have been excessive compared to buyout plans of other law enforcement agencies.

B. Employees separating because of resignation or termination received sick leave buyout benefits similar to those received by retiring personnel, although at a lower payment ratio.

Recommendation:

The KCPD:

A. Reevaluate the current sick leave buyout program, compare it to programs in other cities, and consider making revisions that would enhance employee income security while conserving available fiscal resources. The considerations should include the possible provision of disability insurance coverage for all new employees in lieu of the present level of buyout payments.

B. Consider discontinuing the practice of allowing resigning or terminating employees to receive sick leave buyout payments.

Status:

A. Not implemented. See MAR No. 3.

B. Implemented. Any employee hired after January 1, 1995 is not eligible for sick leave buyout upon resignation or termination.

3. Overtime Compensation

The KCPD paid for more overtime than was required by the Fair Labor Standards Act (FLSA).

Recommendation:

The KCPD reevaluate its current overtime policies/practices and consider revising those practices to calculate overtime compensation in accordance with FLSA requirements. It appeared the KCPD should exclude paid leave taken as hours worked in overtime pay calculations. In performing this review, the department should consider the cost of current practices in relation to fiscal constraints and possible alternative uses for any savings realized by changing the overtime policies.

Status:

Not implemented. Although not repeated in the current MAR, the KCPD should consider implementing this recommendation.

4. Call Back Pay

It was often necessary to call officers in for extra duty outside of their regular shift assignment. By KCPD policy, a call back occurred when an employee was required to return to work more than one hour after the end of his or her regular tour of duty or day off. Under the policy, an employee called back to duty was to be paid for actual hours worked or for a minimum of four hours. All call back pay was paid at the time and one half overtime rate. This policy appeared excessive compared to some other cities surveyed.

Recommendation:

The KCPD reevaluate the current call back policy which provides for minimum compensation of four hours at overtime rates. The department should carefully weigh other possible alternative call back policies, considering the related payroll cost implications for each alternative reviewed.

Status:

Not implemented. Although not repeated in the current MAR, the KCPD should consider implementing this recommendation.

5. Accumulated Compensatory Time

A number of employees had compensatory time balances in excess of the sixty-hour departmental limit at February 28, 1994. There was no authorization approving the excess balances. The KCPD policy limited the accumulation of unused compensatory time to no more than 60 hours unless authorized by the Chief of Police or his designee.

Recommendation:

The KCPD reevaluate Policy No. 418 regarding the 60-hour limitation and determine whether it meets current departmental needs or should be revised. If a revised policy is

established, the department should make every effort to ensure it is complied with. This would include ensuring any exceptions to the policy limit are properly authorized.

Status:

Implemented. The current policy states a 120-hour limitation for any employee at the commander level or above.

6. Compensation for Medical Appointments

An instance was noted in which an officer was paid overtime compensation while receiving physical therapy outside of that individual's regular work schedule. It appeared this additional compensation was paid in error and probably occurred because of confusion among supervisory personnel in the department as to how KCPD policy should be applied in regard to medical appointments.

Recommendation:

The KCPD review situations where additional compensation is requested in cases of medical appointments (particularly in cases where the treatment is voluntary) and determine how the department policy should be applied. The department should then formally clarify the application of its policies in such situations and ensure that all line supervisors are provided appropriate guidance for handling such situations in the future.

Status:

Implemented. The current policy was revised to clarify the application of the situation.

7. Off -Duty Employment

A. Private businesses/individuals frequently contacted the department seeking to hire off-duty police officers for security services. A review of this situation disclosed that it appeared officers frequently received compensation for those services in cash and that these entities may be discouraged by officers from filing the required income tax forms. It appeared the department should address this issue in its policies considering the extent of cash payments reportedly being received.

B. We noted instances in which officers failed to file the required forms and properly obtain departmental approval related to off-duty jobs.

Recommendation:

The KCPD:

- A. Consider adding provisions to its off-duty employment policy which clearly convey the department's position regarding the proper reporting of off-duty employment income for personal income tax purposes and the need for its personnel to cooperate with private employers in meeting those employers' reporting responsibilities.
- B. Take steps to ensure its officers and other personnel are obtaining proper approval related to off-duty employment. This might include reminding department personnel of this requirement on a periodic basis or establishing procedures to monitor compliance with the policy.

Status:

- A. Not implemented. It does not appear this policy was changed. Although not repeated in the current MAR, the KCPD should consider implementing this recommendation.
- B. Implemented.

8. Personnel Scheduling

KCPD policy provided that each watch of the patrol divisions could allow a maximum of ten percent of the officers assigned to a particular watch or shift to be on leave at any one time. We noted a number of instances in which this policy was not complied with, resulting in those watches being understaffed.

Recommendation:

The KCPD reemphasize to the desk sergeants the importance of complying fully with Field Services Memo 87-1. The department should also ensure that any instances in which the ten percent rule is not complied with are documented and brought to the attention of the appropriate supervisor.

Status:

Implemented.

9. Timekeeping

- A. Verification reports were not always being properly signed or initialed as being reviewed and found accurate by the timekeeper.
- B. Overtime entry errors went uncorrected as a result of a verification report not being reviewed on a timely basis.
- C. Overtime vouchers were not always being properly approved by the applicable supervisors.

Recommendation:

The KCPD reemphasize to its supervisors and unit timekeepers the importance of proper timekeeper procedures, including the proper approval of overtime vouchers and an adequate review of verification reports. In addition, the department should consider requiring one of its support sections to perform an independent review of the timekeeping records and supporting documentation on a periodic basis.

Status:

Partially implemented. The KCPD does emphasize the importance of proper timekeeper procedures. However, there is no independent review of the timekeeping records. Although not repeated in the current MAR, the KCPD should consider fully implementing this recommendation.

STATISTICAL SECTION

History, Organization, and
Statistical Information

KANSAS CITY BOARD OF POLICE COMMISSIONERS
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Kansas City Board of Police Commissioners was established by an act of the legislature in 1873 to provide law enforcement protection to the citizens of the city of Kansas City. The board operates under the provisions of Sections 84.350 to 84.860, inclusive, RSMo 1994.

The Board of Police Commissioners consists of five members. The governor, with the consent of the Senate, appoints four commissioners who, with the mayor of the city of Kansas City, control the operations of the Kansas City Police Department. The board members are appointed for a term of four years. The police property, as well as the Police Department itself, is subject to the rules and orders of the Board of Police Commissioners.

The members of the Board of Police Commissioners at April 30, 1999, were:

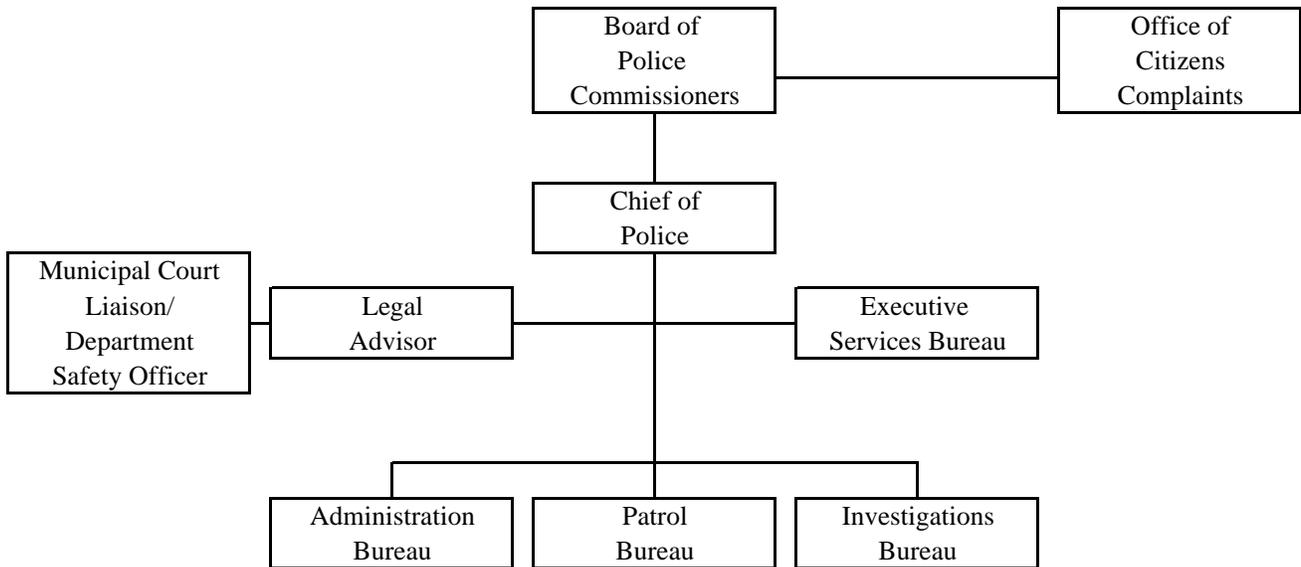
<u>Member</u>	<u>Term Expires</u>
Jeffery Simon, President	March 7, 2000
Joseph Mulvihill, Vice President	March 7, 2001
Dennis Eckold, Treasurer	March 7, 2002
Dr. Stacey Daniels	March 7, 1999*
Mayor Kay Waldo Barnes	April 10, 2003

* Commission member continues to serve until a replacement is named.

Richard D. Easley has been the Chief of Police since April 2, 1999. Floyd O. Bartch served as Chief from March 21, 1996 to April 2, 1999.

An organization chart follows.

KANSAS CITY BOARD OF POLICE COMMISSIONERS
ORGANIZATION CHART



Appendix A

KANSAS CITY BOARD OF POLICE COMMISSIONERS
 COMPARATIVE SCHEDULE OF EXPENDITURES - BUDGET BASIS
 GENERAL FUND

	Year Ended April 30,			
	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
EXPENDITURES				
Personal services	\$ 83,320,781	81,217,822	80,909,420	76,524,493
Contractual services	10,689,500	9,336,978	9,330,673	9,672,003
Commodities	3,740,492	3,768,277	3,480,205	3,374,120
Capital outlays	708,316	491,305	506,565	614,041
Total Expenditures	\$ <u>98,459,089</u>	<u>94,814,382</u>	<u>94,226,863</u>	<u>90,184,657</u>

Appendix B

KANSAS CITY BOARD OF POLICE COMMISSIONERS
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET BASIS
 SPECIAL REVENUE FUND, INTERNAL SERVICE FUND, AND EXPENDABLE TRUST FUND

	Year Ended April 30,			
	1999	1998	1997	1996
REVENUES:				
Intergovernmental revenues	\$ 10,695,029	7,524,134	3,573,439	2,978,596
Special services	4,113,628	4,428,203	3,521,835	3,166,254
Disposal of fixed assets	31,860	40,007	324,933	79,727
Proceeds from unclaimed property and seizures	598,254	334,364	341,188	439,696
Sale of supplies	0	0	0	24,239
Interest	368,725	358,182	369,317	340,764
Other	237,467	254,850	567,423	574,788
Total Revenues	<u>16,044,963</u>	<u>12,939,740</u>	<u>8,698,135</u>	<u>7,604,064</u>
EXPENDITURES				
Personal services	7,742,382	7,921,145	5,423,686	4,672,906
Contractual services	4,254,670	2,658,537	2,576,546	2,412,598
Commodities	398,542	220,887	210,833	199,598
Capital outlays	4,624,934	1,689,430	561,881	1,088,906
Total Expenditures	<u>17,020,528</u>	<u>12,489,999</u>	<u>8,772,946</u>	<u>8,374,008</u>
Revenues over (under) expenditures	<u>-975,565</u>	<u>449,741</u>	<u>-74,811</u>	<u>-769,944</u>
OTHER FINANCING (USES) SOURCES:				
Operating transfers in	1,207,275	1,185,217	914,292	1,148,029
Operating transfers out	<u>-765,275</u>	<u>-425,467</u>	<u>-317,801</u>	<u>-545,907</u>
Total other financing sources, net	<u>442,000</u>	<u>759,750</u>	<u>596,491</u>	<u>602,122</u>
Revenues and other financing sources over expenditures and other financing uses	<u>-533,565</u>	<u>1,209,491</u>	<u>521,680</u>	<u>-167,822</u>
FUND BALANCES:				
Beginning of year	7,003,609	5,794,118	5,272,438	5,440,260
Adjustments to beginning balance (Note)	684,892	0	0	0
1998 encumbrances clearing for less in 1999	<u>41,070</u>	<u>0</u>	<u>0</u>	<u>0</u>
Beginning of year, restated	<u>7,729,571</u>	<u>5,794,118</u>	<u>5,272,438</u>	<u>5,440,260</u>
End of year	<u>\$ 7,196,006</u>	<u>7,003,609</u>	<u>5,794,118</u>	<u>5,272,438</u>

Appendix B

Note: The Kansas City Board of Police Commissioners' adopted budget for fiscal year 1998-99 recognized that receivables and prior year encumbrances that cleared for less increase the budget basis fund balance, thereby providing additional sources for appropriations. The impact of these and other changes are summarized in the following schedule:

	04/30/98 Accounts Receivable	04/30/98 Interest Receivable	Encumbrances Clearing For Less	Other Changes	Total
Special Revenue Funds:					
Special Services	\$ 14,145	9,961	797	0	24,903
Special Operations	2,700	968	65	-32,722	-28,989
Car Damage	152,964	0	0	0	152,964
ALERT Computer System	482,316	3,974	469	938	487,697
Federal Forfeiture & Seizure	0	4,917	474	44,176	49,567
State Forfeiture & Seizure	0	32	0	-1,282	-1,250
Total	<u>\$ 652,125</u>	<u>19,852</u>	<u>1,805</u>	<u>11,110</u>	<u>684,892</u>

Appendix C

KANSAS CITY BOARD OF POLICE COMMISSIONERS
 COMPARATIVE SCHEDULE OF EXPENDITURES-BUDGET BASIS
 FEDERAL AND STATE SEIZURE AND FORFEITURE FUNDS

	Year Ended April 30,			
	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Contractual services	\$ 124,813	44,121	30,392	68,339
Commodities	162	110	7,286	13,973
Capital outlays	383,325	335,955	66,217	253,783
Operating Transfers, Net	<u>330,713</u>	<u>389,663</u>	<u>285,593</u>	<u>19,381</u>
Total Expenditures	\$ <u>839,013</u>	<u>769,849</u>	<u>389,488</u>	<u>355,476</u>

Appendix D

KANSAS CITY BOARD OF POLICE COMMISSIONERS
 COMPARATIVE SCHEDULE OF CASH AND CASH EQUIVALENTS, EXPENDABLE TRUST FUNDS
 AND AGENCY FUNDS

	April 30,			
	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Cash and cash equivalents				
Restricted	\$ 3,395,799	3,135,654	2,148,925	1,998,867
Unrestricted.	71,869	48,705	71,470	65,643
Total cash and cash equivalents	\$ <u>3,467,668</u>	<u>3,184,359</u>	<u>2,220,395</u>	<u>2,064,510</u>

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